Illinois. Univ.--- Committee on university retirement system

Material....presented Je, 1940

Material Relating to

Retirement and Death Benefit System

University of Illinois

Important Note: This material is preliminary and tentative, and is distributed solely for the purpose of discussion within the University faculty.

Internal and Confidential

REPORT OF COMMITTEE ON UNIVERSITY RETIREMENT SYSTEM

Including Recommendations for Modification of Present System

(Presented June 1940)

In December 1937 a committee was appointed by the President to consider the question of the University's participation in a proposed state employees' annuity fund. The report of the committee on this matter was submitted to the University Council in May 1938 and the committee was asked to continue its studies of the problem.

During the succeeding year the committee secured the services of a consulting actuary, Mr. D. F. Campbell, who submitted a plan for a state-administered retirement system for the University and the teachers' colleges. This plan was submitted to the Council, to representative members of the faculty, and to the Board of Trustees in the spring of 1939. While the majority of expressions concerning the plan were favorable, many questions concerning it were raised and the plan was not submitted to the General Assembly for consideration at that time. A bill providing for a state employees' pension plan was again passed by the General Assembly at the session then in progress but was again vetoed.

During the past year the committee has continued its studies of the problem. It has made a further review of previous material assembled, has had made for it and has considered a number of additional statistical studies, has conferred with representatives of several insurance companies, and has held a number of lengthy meetings. It now submits this report and new recommendation.

Present Situation

The Committee continues to be of the opinion, as expressed in its previous reports, that the present retirement plan is unsatisfactory. This plan has been somewhat improved during the past two years by the addition of provision for allowances in the event of total disability, and by being mentioned in the state appropriation bill for the University. The Committee feels, however, that the financial insecurity of the plan is still very real; furthermore, the provision for benefits to survivors of members of the staff are so inadequate as to constitute a genuine deficiency and inequity. The fact that the plan is a non-contributory one, that is, the total expense is paid by the University itself, makes it subject to criticism since practically all pension plans are on a joint contributory basis. The steadily increasing cost of the plan and the uncertainty as to what that ultimate cost will be, are also important factors.

Since our previous report, several other institutions comparable to the University of Illinois have adopted a contractual plan on a joint contributory basis. These institutions are Minnesota, Purdue, Indiana, and Ohio. Illinois is now one of the few major state institutions whose retirement is not on such a basis. Congress has also passed a bill providing that payments for contributions to a contributory, funded retirement plan may be charged against federal funds. No charge against such funds may be made for the plan now being followed by the University.

The Committee has also made further studies of the plan submitted last year by Mr. D. F. Campbell. The Committee has reached the conclusion that it is not fully satisfactory for our purposes. While it has many desirable features and would be an improvement over our present situation, it is exceedingly complex, requires special legislation, involves administration by an outside body not under the control of the Board of Trustees, involves the management of a large

fund, and involves a varying plan of contribution, changing with each change of salary. Under some circumstances the conditions of contribution required of the faculty would be such as to make them prohibitive and thus cause the University serious embarrassment.

New Plan Proposed

After considering all of these problems, the Committee has concluded that the University should endeavor to work out a plan which could be arranged with some insurance company and which would be under the full control of the University. Such a plan, as nearly as we can determine, would not require special legislation and would only necessitate our securing a sufficient appropriation to meet the cost.

The Committee now submits a tentative draft of a proposed retirement and death benefit plan to replace the plan now in effect. The principal points of the proposed plan in comparison with the present plan are as follows:

(1) Participation would be required of all members of the staff except part-time assistants and persons on temporary and irregular employment, such as student employees and temporary laborers, except that members of the faculty below the rank of assistant professor or employees in the clerical and mechanical staffs would have the option of joining or not joining during the first five years of service. The present plan covers all persons in the regular and continuous employment of the University except that no death benefits are payable during the first year of service and a person must have been in service for 15 years to secure any retirement benefits.

(2) An individual contract would be arranged with an insurance company for each person participating, which contract would be the property of the employee, with the provision that it could not be encumbered or surrendered while its holder remains in the employ of the University.

The benefits of the present plan are included in the individual's contract with the University but all rights and equities cease at the termination of his service or at death.

(3) Premiums on such contracts would be paid by the University as follows:

(a) Deductions from salaries in the amount of 5% for persons under 35 years of age, 5½% for persons between 35 and 44 years of age, and 6% for persons of 45 years and over. No payments to be made after age 68.

(b) Equivalent amount to be paid by the University in the case of each employee.

Under the present plan no deductions are made from cash salary and no funds are accumulated for the payment of future benefits.

(4) Normal retirement would be provided on September 1 following the 68th birthday anniversary, in which event the employee would receive such an annuity as is provided by the contract.

For persons who are above 33 at the time the plan goes into effect, a supplementary benefit is proposed to the extent of 1½% of present salary for each year of service prior to effective date of the plan and subsequent to his attainment of 33 years of age. For persons who are 53 years and over at that time, an additional ½% of supplementary benefit of present salary is proposed.

The provisions for supplementary benefits are included for the purpose of equalizing the benefits of the present plan and those of the proposed plan particularly with relation to those persons who are approaching retirement, and also to make up for deficiencies between the accumulation in the form of a reserve under the new plan and a reasonable retiring allowance.

Normal retirement is now provided at age 68 with an annuity of 50% of the average salary of the last five years with an ordinary maximum of $3,000. Under the proposed plan the annuity would be what amount the accumulated reserve plus supplementary benefits would provide. No guaranteed or maximum figures are stipulated in the proposed plan but the results in the great majority of cases should be at least as favorable as the present plan.

(5) If the employee leaves the service of the University for any reason the contract is his own and would be retained by him. All rights to supplementary benefits, however, are forfeited.

All rights or equities of the present system terminate if an individual leaves the service of the University.

(6) Retirement prior to age 68 is proposed in the event of ill health or disability, or after 25 years of service, for other reasons satisfactory to the Board of Trustees, with a suitable annuity somewhat below that which would be possible in case of normal retirement. This annuity is provided in part by the contract and in part by an additional supplementary benefit.

Retirement on a reduced annuity is possible for disability, but otherwise retirement is not possible prior to age 65.

A death benefit is proposed which will take account of the accumulation under the retirement annuity contract. The minimum amount to be paid by the University in every case would be $1,000. That amount would be increased to such an amount that would provide, with the annuity contract accumulation, a death benefit of at least one year's salary and not over $5,000. If the retirement contract has a value greater than one year's salary or $5,000 then the death benefit paid by the University would be $1,000.

Present death benefits are based on length of service and amount of salary, the minimum being 10% of one year's salary and the maximum being $3,000.

It is suggested that a representative committee of five persons be appointed by the President to (1) administer the rules of the plan including an interpretation of individual cases subject to the right of appeal to the Board of Trustees; (2) recommend changes in the plan if such changes in its judgment become desirable.

Suggested Method of Introducing Plan

The Committee has made preliminary estimates on the cost of such a plan if put into effect. The outside annual figure of premium paid by the University would be $300,000 of which approximately $25,000 can be charged to federal and other special funds, leaving a figure of $275,000 to be charged against the general budget. Members of the staff who participate would pay in the aggregate an equivalent amount, the approximate average being 5½% of salary or wage.

If this addition were made at once to our present retiring allowance budget of $175,000 per year, it would probably make the adoption of the new plan prohibitive. Consequently the Committee proposes that the new plan be introduced as of September 1, 1941, but that the payments to be made by the University be picked up gradually. The suggested amount for the coming biennium is $100,000 per year. This would mean that the maximum cost would not be reached as soon as would be done if the entire added premium cost were taken up at once, and it would also mean that the stabilized level would not be reached as soon. It would be necessary for the University to stand ready to make up the difference of the premiums not paid by it whenever any employee retires or leaves the service of the University or in the case of the death of an employee before retirement. A memorandum is enclosed which gives an outline of the proposed method of adoption of the plan.

It is the judgment of the Committee that the University should look forward to putting such a new plan into effect as of September 1, 1941. This done, the Committee believes there should be included in the biennial budget for 1941-43 the added sum of $100,000 per year over and above retiring allowances for retired persons as of July 1, 1941 to be applied in the manner above described. This would mean that in succeeding biennial periods for approximately the next ten years an average of about $25,000 a year should be added until a total of about $475,000 per year is reached, which, unless there is an abnormal change in the size of the staff or the scale of salaries, probably could be continued for a number of years without material change.

Respectfully submitted,

UNIVERSITY RETIREMENT COMMITTEE

A. R. Crathorne
Frank G. Dickinson
G. W. Goble
A. J. Harno
G. P. Tuttle

Lloyd Morey, Chairman

Enclosures:

1. Tentative draft of proposed retirement and death benefit plan.
2. Suggested method of adoption of proposed retirement and death benefit plan.
3. Disadvantages of present retiring system.
4. Advantages of proposed retirement system.
5. Advantages of proposed retirement plan over Campbell plan.

June 18, 1940

TENTATIVE DRAFT OF PROPOSED

RETIREMENT AND DEATH BENEFIT PLAN

I. A Retirement plan is hereby established which shall apply to employees of the University of Illinois as follows:

A. Eligibility - The following employees of the University shall be eligible to participate in the plan:

(1) All members of the educational staff with the rank of instructor or with higher rank and all full time assistants.

(2) All members of the administrative staff.

(3) All members of the secretarial, clerical, mechanical and labor staffs who are on permanent and continuous employment.

Members of the faculty employed in successive academic years shall be held to be in continuous employment even though their cash compensation is paid in or for less than 12 months of any academic year.

B. Participation - All employees eligible to participate in the plan must do so with the following exceptions:

During the first 5 years of service after becoming eligible to participate in the plan, an employee may be exempt from such participation on his request if he is a member of the educational staff with rank below assistant professor, or if he is a member of either the secretarial, clerical, mechanical, or labor staff. For employees eligible to enter under the optional provision on the date the plan goes into effect, any past service during which the plan would have been optional had it been in effect will be included in the 5 years. Participation in the plan is required after 5 years of eligibility.

If an employee elects to participate in the plan, while participation is optional, the right of option is forfeited permanently.

II. Retirement contracts - The University will arrange a retirement contract with an insurance company for each participant in the plan. This contract will provide for certain payments of premiums as herein stated, to be remitted by the University, and for certain annuities hereinafter described.

Each contract shall be the property of the employee subject to the condition that it cannot be encumbered or surrendered while its holder remains in the employment of the University.

III. Premiums on contracts - Payments shall be made on this contract as follows:

A. Paid by the employee through monthly deductions from his salary by the University and remitted by it to the insurance company.

(1) 5% of his annual salary if he is under age 35.

(2) 5½% of his annual salary if he is between the ages of 35 and 44 inclusive.

(3) 6% of the annual salary if he is age 45 or over.

No payment shall be required after attaining the age of 68 or after retirement prior to that time.

Cash compensation paid for summer session teaching or for any other extra service not covered by the regular annual salary will not be included in the computation of payments.

B. Paid by the University

The University will pay the same amount as the employee during his active service up to age 68.

IV. Retirement Benefits

A. Normal Retirement

(1) On September 1 following the 68th birthday anniversary each employee shall receive the following benefits:

(a) Such annuity as shall be provided by the contract described above.

(b) A supplementary benefit which shall be a life annuity equal to 1½% of the annual salary the employee is receiving on the date the plan goes into effect for each year of service prior to this date and subsequent to his attainment of age 33.

(c) A further supplementary benefit of ½% of annual salary the employee is receiving on the date the plan goes into effect for each year of service prior to this date and subsequent to his attainment of age 53.

The supplementary benefit of ½% of annual salary provided under (c) above shall in no case result in a total supplementary benefit of more than 50% of the salary on which it is based.

B. Employee leaving service other than by normal retirement:

(1) Resignation or other termination of connection with University.

The contract with the insurance company is the property of the employee and is therefore retained by him in case of his withdrawal from service prior to his retirement, or by his estate in case of his death while in service, or in case of his retirement prior to age 68. The rights of the holder shall be determined by the conditions of the contract.

(2) All rights to supplementary benefit payments are forfeited on withdrawal or death while in service, subject to provisions for death benefits and for retirement prior to age 68 both later described.

(3) Retirement prior to attainment of age 68:

(a) The University may retire an employee prior to age

68 without his forfeiting the entire supplementary benefit if the verified reason for such retirement is ill health or disability, or, after 25 years of service, for other reasons satisfactory to the Board of Trustees. In any such case he shall receive such annuity as his contract may provide, plus a supplementary benefit consisting of: 25% of the supplementary benefit he would have received in case of normal retirement, plus 3% of such supplementary benefit for each year of service considering not more than 25 years of service. He shall be paid this supplementary benefit in the form of an annuity which at the age of actual retirement is the actuarial equivalent of an annuity at age 68 of the above described per cent of the supplementary benefit.

(4) A member of said faculty or staff shall retire at the age of 68 years unless on his request and on the recommendation of the President of the University the Board of Trustees shall permit him to continue in active service. Such extension of the period of active service shall be for oneyear only, but may be renewed at the end of any extension. During any period in which an employee is continued in active service beyond the age of 68, annuity payments due him from the insurance company on his contract shall be assigned by the employee to the University.

V. Death Benefits.

A death benefit shall be paid by the University in the case of every person who is in the continuous and permanent employment of the University and in its active service at the time of death, in such amount that the accumulation to the credit of the deceased employee under his retirement annuity contract plus the death benefit payment by the University will equal one year of salary or $1000, whichever is greater; provided that no salary in excess of $5000 shall be considered for this purpose, and further provided that in no case shall the cash payment by the University be less than $1000.

VI. Administration

The President of the University shall appoint a fully representative committee of five persons with the Comptroller of the University as ex officio secretary. It shall be the duty of this committee to

(1) Administer the rules of the retirement plan as adopted including an interpretation of the rules in individual cases subject to the right of appeal to the Board of Trustees,

(2) Recommend changes in the retirement and death benefit plan if such changes are in its judgment desirable.

VII. The University reserves the right to discontinue or alter the proposed plan at any time, such action, however, shall not reduce the value of the contract of each employee provided by all payments made thereon to date.

June 18, 1940

SUGGESTED METHOD OF ADOPTION OF

PROPOSED RETIREMENT AND DEATH BENEFIT PLAN

A. Deductions from salaries of employees shall begin as provided in III-A of the plan at the time the plan goes into effect.

B. During the first years of the plan there will be three elements of cost to the University:

(1) Payments to the insurance company as provided in III-B of the plan.

(2) Payments of supplementary benefits as provided by the plan.

(3) Payments to staff members who are on retirement at the present time.

C. During the time that the University is making payments to the insurance company of less than the amount it should pay under the plan, the University will endeavor to:

(1) In case of retirement before the University has made payments to the insurance company equal to those made by the retiring employee, the University will make payment, either to the retiring employee, or to the insurance company, sufficient to provide for the retired employee the annuity he would have received if the University made all payments as provided in III-B.

(2) In case of death of an employee or his withdrawal from the service, the University, if it has not already done so, will immediately pay to the insurance company a sum sufficient to make payments made by the University equal to those made by the employee.

The element of cost represented by supplementary benefits will be very small at the beginning of the plan but will increase slowly, reaching the maximum about 1956, at which time it will begin to decline and disappear approximately around 1980. The payments to staff who are already on retirement at the present time is approximately $175,000 per year. If the proposed retirement and death benefit plan is adopted this cost will decrease so that it should entirely disappear in approximately 1965.

It is contemplated that partial payments of premiums to the insurance company by the University as in III-B will be started at the rate of approximately $100,000 per year, increasing this amount until the total cost to the University about 1948 reaches approximately $475,000, this total cost to be made up of payments to the insurance company, supplementary benefits, and payments to retired staff. The total cost to the University will be held in the neighborhood of $475,000 per year, increasing the premiums paid to the insurance company as the cost represented by supplementary benefits and payments to staff retired under the old plan decrease. It is estimated that beginning about 1972 the total cost of the plan to the University can be decreased gradually so that by about 1988 all payments which the University is in arrears to the insurance company will be made up and the approximate annual cost to the University from that date on should be approximately $300,000.

June 14, 1940

DISADVANTAGES OF PRESENT RETIREMENT SYSTEM

1. All benefits of this system other than that payable under the death benefit plan (maximum of one-half year's salary with $3,000 limit) terminate at death, irrespective of length of a person's service, and whether such death occurs before or subsequent to retirement.

2. No continuing benefits sre provided for surviving widow or other dependents.

3. The right of termination or modification of the plan at any time is reserved by the Board of Trustees and such a change might affect accumulated rights to benefits.

4. No equities or benefits are available to the individual in the event of withdrawal from the service of the University prior to retirement.

5. No guarantee is provided for the financial stability of the plan since (a) it depends upon a biennial appropriation to meet the amounts payable during each period, and (b) no fund is set aside or accumulated during active service to take care of the benefits payable after retirement.

6. The rules do not require service after retirement but leave such service optional to the University, however, vouchers covering retiring allowances must be certified by University officers to the effect that service is rendered during the period of each voucher.

7. As a corollary to No. 6 each retired individual is subject to call by the University at all times. If funds were accumulated during active service to meet these payments the individual would then be under no further obligation for service to the University.

8. Some elements of doubt exist as to the legality of the present system.

9. Provision for the retirement of any staff member or employee must be made in the budget of the department in which he is employed.

10. Steadily increasing cost to University and uncertainty as to ultimate maximum cost.

11. Obligations of the plan are always in the future and no provision is being currently made to meet them.

12. The plan is non-contributory whereas the great majority of pension systems are contributory.

ADVANTAGES OF PROPOSED RETIREMENT SYSTEM

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1. Makes possible survivorship benefits not now available except to extent of death benefit provided.

2. Provides for accumulation of reserves during period of active service.

3. Makes the value of accumulated reserves available in full with interest irrespective of death or withdrawal.

4. While it requires deductions from salaries, these deductions remain the property of the individual and accumulate with interest until used for annuities or survivorship benefits.

5. Reduces the ultimate cost of the system to the University and removes the uncertainty of continuation of present system due to steadily increasing costs.

6. Provides for the ultimate complete funding of all obligations of the system instead of only provision for one year at a time as at present.

7. While it requires a larger out-lay for the University in years immediately ahead, the ultimate annual outlay is less and more definite than the present plan.

8. An individual has various options of settlement instead of only one as at present.

9. Eliminates danger of future revision of plan because of increasing costs in a way affecting past benefits.

10. Greater assurance and guarantee that the expected pension will be provided.

11. Retirement is possible at any time in case of disability.

12. Retirement for any reason satisfactory to the Board of Trustees is possible after 25 years service.

June 14, 1940

University of Illinois

COMPARISON OF PRESENT AND PROPOSED RETIREMENT PLAN

	Present	Proposed
I. AUTHORITY	Board of Trustees with authority to make payments contained in biennial appropriation bill.	Board of Trustees with authority to make payments contained in biennial appropriation bill.
II. ADMINISTRATION	Board of Trustees	Board of Trustees. President of University to appoint a representative committee of 5 persons with the Comptroller as ex officio secretary, who shall (1) administer rules of plan including interpretation in individual cases subject to right of appeal to Board of Trustees, (2) recommend changes in plan.
III. PERMANENCE	Board now reserves right to modify at any time; legislative appropriation only for 2 years at a time.	Board reserves right to modify at any time; such action, however, shall not reduce the value of the contract of each employee provided by all payments made thereon to date.
IV. WHO COVERED	Every continuously employed member of staff.	Every continuously employed member of staff except part-time assistants. Faculty members below rank of assistant professor and members of secretarial, clerical, mechanical, or labor staff may upon request be excused from participation during first 5 years of service.
V. DISABILITY BENEFITS	Persons who have 5 years service or more may be retired if physically unfit or disabled. Retirement allowance of 25% of average cash compensation for last 5 years prior to retirement plus $\frac{1}{2}$ of 1% of such amount for each year of service will be paid for a period equal to 1/5 of years of service. If employee has had 15 years of service allowance will be paid for life.	May retire at any time if verified reason for retirement is ill health or disability. Employee will receive such annuity as his contract will provide plus a portion of any supplementary benefit due him such portion based on length of service.

	Present	Proposed
VI. RETIREMENT BENEFITS		
(a) Normal	Retirement at 68 (or 65 with Board approval) on half salary for 25 years or more service, maximum $3000 ($4000 for deans, or other General Administrative officers.)	Annuity provided by contract with insurance company. Supplementary benefit to the extent of 1½% of present salary for each year of service prior to effective date of plan and subsequent to attainment of age 33. Additional ½ of 1% of present salary for each year of service prior to effective date of plan and subsequent to attainment of age 53.
(b) Retirement other than for disability prior to 68.	May retire at 65 with Board approval.	May retire at any time after 25 years of service for reasons satisfactory to Board and receive such annuity as contract provides.
(c) Benefits in event of withdrawal from service.	None.	Individual retains contract, with such rights as the contract may provide.
VII. DEATH BENEFITS	Per cent of salary ranging from 10% to 50% depending upon period of service.	Death benefit will be paid in such amount that the accumulation under the contract plus death benefit payment will equal 1 year's salary or $1000, whichever is greater. No amount of salary in excess of $5000 considered for this purpose and no payment by University will be less than $1000.
VIII. SURVIVORS' BENEFITS	None except death benefit.	Death benefit as per VII, together with survivorship annuity unless otherwise elected by employee. (Contract will provide the options at retirement customery in such contracts.)
IX. MINIMUM SERVICE FOR RETIREMENT WITH ANY ANNUITY	15 years; 5 years in event of disability (See V).	None.
MINIMUM SERVICE FOR RETIREMENT WITH MAXIMUM ANNUITY	25 years.	No minimum period and no maximum annuity, since annuity depends upon accumulations under contract with insurance company.

		Present	Proposed
X.	MINIMUM AGE OF RETIREMENT WITH ANNUITY, OTHER THAN FOR DISABILITY	65 years.	Any time after 25 years service if reason for retirement is satisfactory to Board of Trustees.
	MAXIMUM AGE OF RETIREMENT	68 years, subject to continuation from year to year by Board.	Same.
XI.	METHOD OF FINANCING	Entirely from University appropriations.	(a) Deductions from monthly salaries of employees as follows: Under age 35 . . . . . 5% Between ages 35 and 44 inclusive $5\frac{1}{2}$% Over age 45. . . . . 6% (b) University will pay from University appropriation the same amounts as in (a) above. (c) Supplementary benefits and death benefits paid from University appropriations.

July 2, 1940

Proposed Retirement Plan

Table Ia. Retirement Annuity (Men) Expressed as Percentage of Salary as of September 1, 1941

This table shows amounts of annuity payments if payments are made only to the member of the staff and cease at his death. The contracts will provide the option of annuity payments to a survivor after the death of a staff member in which case the payments to the staff member during his life will be less than those shown in this table. Annuities stated below assume no dividends and are therefore lower than those which probably will prevail.

1 Age September 1, 1941	2 Years to Age 68	3 Years at 10%	4 Total at 10% (%)	5 Years at 11%	6 Total at 11% (%)	7 Years at 12%	8 Total at 12% (%)	9 Grand Total (%)
20	48	15	86.617	10	4.542	23	2.653	93.812
21	47	14	83.267	10	4.542	23	2.653	90.462
22	46	13	80.014	10	4.542	23	2.653	87.209
23	45	12	76.856	10	4.542	23	2.653	84.051
24	44	11	73.790	10	4.542	23	2.653	80.985
25	43	10	70.814	10	4.542	23	2.653	78.009
26	42	9	67.924	10	4.542	23	2.653	75.119
27	41	8	65.118	10	4.542	23	2.653	72.313
28	40	7	62.394	10	4.542	23	2.653	69.589
29	39	6	59.749	10	4.542	23	2.653	66.944
30	38	5	57.182	10	4.542	23	2.653	64.377
31	37	4	54.689	10	4.542	23	2.653	61.884
32	36	3	52.269	10	4.542	23	2.653	59.464
33	35	2	49.919	10	4.542	23	2.653	57.114
34	34	1	47.638	10	4.542	23	2.653	54.833
35	33			10	49.966	23	2.653	52.619
36	32			9	47.599	23	2.653	50.252
37	31			8	45.304	23	2.653	47.957
38	30			7	43.074	23	2.653	45.727
39	29			6	40.909	23	2.653	43.562
40	28			5	38.807	23	2.653	41.460
41	27			4	36.766	23	2.653	39.419
42	26			3	34.786	23	2.653	37.439
43	25			2	32.863	23	2.653	35.516
44	24			1	30.996	23	2.653	33.649
45	23					23	31.836	31.836
46	22					22	29.915	29.915
47	21					21	28.051	28.051
48	20					20	26.242	26.242
49	19					19	24.484	24.484
50	18					18	22.778	22.778
51	17					17	21.122	21.122
52	16					16	19.514	19.514
53	15					15	17.953	17.953
54	14					14	16.438	16.438
55	13					13	14.965	14.965
56	12					12	13.537	13.537
57	11					11	12.173	12.173
58	10					10	10.856	10.856
59	9					9	9.578	9.578
60	8					8	8.338	8.338
61	7					7	7.133	7.133
62	6					6	5.963	5.963
63	5					5	4.837	4.837
64	4					4	3.736	3.736
65	3					3	2.665	2.665
66	2					2	1.626	1.626
67	1					1	.617	.617

July 6,1940.

Instructions for Use of Table Ia:

Find age September 1, 1941 in Column 1. On same line in Column 9 read percentage of September 1, 1941 salary to be paid as life annuity starting at age 68.
This table does not include future salary increases.
Such adjustments will increase the contributions but also will increase the annuity.

PROPOSED RETIREMENT PLAN

Table II, Table of Supplementary Benefits for Persons Who Have Been Members of the University of Illinois Staff since age 33.

1 Age	2 Basic Rate % (See Note 1)	3 No. of Years Effective	4 Total Basic Rate % (See Note 1)	5 Supplementary Rate % (See Note 2)	6 Number of Years Effective	7 Total Supplementary Rate % (See N.2)	8 Grand Total (Col. 4 plus Col. 7)	9 Effective Total (See Note 3)
34	1.5	1	1.5	Not Effective	Not Effective	Not Effective	1.5	1.5
35	1.5	2	3.0				3.0	3.0
36	1.5	3	4.5				4.5	4.5
37	1.5	4	6.0				6.0	6.0
38	1.5	5	7.5				7.5	7.5
39	1.5	6	9.0				9.0	9.0
40	1.5	7	10.5				10.5	10.5
41	1.5	8	12.0				12.0	12.0
42	1.5	9	13.5				13.5	13.5
43	1.5	10	15.0				15.0	15.0
44	1.5	11	16.5				16.5	16.5
45	1.5	12	18.0				18.0	18.0
46	1.5	13	19.5				19.5	19.5
47	1.5	14	21.0				21.0	21.0
48	1.5	15	22.5				22.5	22.5
49	1.5	16	24.0				24.0	24.0
50	1.5	17	25.5				25.5	25.5
51	1.5	18	27.0				27.0	27.0
52	1.5	19	28.5				28.5	28.5
53	1.5	20	30.0				30.0	30.0
54	1.5	21	31.5	.5	1	.5	32.0	32.0
55	1.5	22	33.0	.5	2	1.0	34.0	34.0
56	1.5	23	34.5	.5	3	1.5	36.0	36.0
57	1.5	24	36.0	.5	4	2.0	38.0	38.0
58	1.5	25	37.5	.5	5	2.5	40.0	40.0
59	1.5	26	39.0	.5	6	3.0	42.0	42.0
60	1.5	27	40.5	.5	7	3.5	44.0	44.0
61	1.5	28	42.0	.5	8	4.0	46.0	46.0
62	1.5	29	43.5	.5	9	4.5	48.0	48.0
63	1.5	30	45.0	.5	10	5.0	50.0	50.0
64	1.5	31	46.5	.5	11	5.5	52.0	50.0
65	1.5	32	48.0	.5	12	6.0	54.0	50.0
66	1.5	33	49.5	.5	13	6.5	56.0	50.0
67	1.5	34	51.0	.5	14	7.0	58.0	51.0
68	1.5	35	52.5	.5	15	7.5	60.0	52.5

Note 1: "A supplementary benefit which shall be a life annuity equal to $1\frac{1}{2}$% of the annual salary the employee is receiving on the date the plan goes into effect (September 1, 1941) for each year of service prior to this date and subsequent to his attainment of age 33."

Note 2: "A further supplementary benefit of $\frac{1}{2}$% of the annual salary the employee is receiving on the date the plan goes into effect (September 1, 1941) for each year of service prior to this date and subsequent to his attainment of age 53."

Note 3: "The supplementary benefit of $\frac{1}{2}$% of annual salary provided (See Note 2) shall in no case result in a total supplementary benefit of more than 50% of the salary on which it is based." This restriction is effective in the 31st, 32nd, and 33rd years of service (after age 33) only. Note that the $1\frac{1}{2}$% may raise the effective total above the 50% rate. There is no limit on the $1\frac{1}{2}$% rate.

July 6,1940.

Instructions for Use of Table II:

This table is for use of those persons who have been members of the staff continuously since age 33. Read age on September 1, 1941 in Column 1. Find effective rate on some line in Column 9. Multiply salary on September 1, 1941 by effective rate and the result is the yearly payment for life under the supplementary benefits provision.

PROPOSED RETIREMENT PLAN

TABLE IIa
Table of Supplementary Benefits
For Persons Who Became
Members of the University of
Illinois Staff Since Age 33

1 Years of Service After Age 33	2 Basic Rate %	3 Number of Years Effective	4 Total Basic Rate %
1	1.5	1	1.5
2	1.5	2	3.0
3	1.5	3	4.5
4	1.5	4	6.0
5	1.5	5	7.5
6	1.5	6	9.0
7	1.5	7	10.5
8	1.5	8	12.0
9	1.5	9	13.5
10	1.5	10	15.0
11	1.5	11	16.5
12	1.5	12	18.0
13	1.5	13	19.5
14	1.5	14	21.0
15	1.5	15	22.5
16	1.5	16	24.0
17	1.5	17	25.5
18	1.5	18	27.0
19	1.5	19	28.5
20	1.5	20	30.0
21	1.5	21	31.5
22	1.5	22	33.0
23	1.5	23	34.5
24	1.5	24	36.0
25	1.5	25	37.5
26	1.5	26	39.0
27	1.5	27	40.5
28	1.5	28	42.0
29	1.5	29	43.5
30	1.5	30	45.0
31	1.5	31	46.5
32	1.5	32	48.0
33	1.5	33	49.5
34	1.5	34	51.0

TABLE IIb
Table of Supplementary Benefits
For Persons Who Became
Members of the University of
Illinois Staff Since Age 53

1 Years of Service After Age 53	2 Supplementary Rate %	3 Number of Years Effective	4 Total Supplementary Rate %
1	.5	1	.5
2	.5	2	1.0
3	.5	3	1.5
4	.5	4	2.0
5	.5	5	2.5
6	.5	6	3.0
7	.5	7	3.5
8	.5	8	4.0
9	.5	9	4.5
10	.5	10	5.0
11	.5	11	5.5
12	.5	12	6.0
13	.5	13	6.5
14	.5	14	7.0
15	.5	15	7.5

Instructions for Use of Tables IIa and IIb.

These tables are for use of those persons who have joined the staff subsequent to age 33. Using Table IIa find number of years of service in Column 1. Read basic rate on same line in Column 4. Using Table IIb find number of years of service subsequent to age 53 in Column 1. Read supplementary rate on same line in Column 4 Add basic rate and supplementary rate and multiply salary on September 1, 1941 by the total. The result is the yearly payment for life under the supplementary benefits provision. Attention is called to Note 3 on Table II.

July 6,1940.

Proposed Retirement Plan

Illustrative Case #1

Assumptions

Male, Age 40, Salary $4000.
Member of staff since age 33.

Step 1 - Computation of annuity under proposed plan.
Use Table Ia.
Find age 40 in column 1.
On same line read 41.460% in column 9.

Step 2 - Computation of supplementary benefits under proposed plan.
Use Table II.
Find age 40 in column 1.
On same line read 10.5% in column 9.

Step 3 - Computation of total payments under proposed plan.
Add 41.460% and 10.5% to get 51.96%.
51.96% of $4000 is $2078.40.
Yearly payment for life of staff member.

Note
These figures are based on a salary of $4000 with no increases assumed. Also they are annuities which do not include dividends and are therefore lower than those which probably will prevail.

Illustrative Case #2

Assumptions

Male, Age 40, Salary $4000.
Member of staff five years prior to September 1, 1941.

Step 1 - Computation of annuity under proposed plan.
Use Table Ia.
Find age 40 in column 1.
On same line read 41.460% in column 9.

Step 2 - Computation of supplementary benefits under proposed plan.
Use Table II .
Find 5 (years of service since age 33) in column 1.
On same line read 7.5% in column 4.

Step 3 - Computation of total payment under proposed plan.
Add 41.460% and 7.5% to get 48.96%.
48.96% of $4000 salary is $1958.40.
Yearly payment for life of staff member.

Note
These figures are based on a salary of $4000 with no increases assumed. Also they are annuities which do not include dividends and are therefore lower than those which probably will prevail.

July 6, 1940.

Proposed Retirement Plan

Illustrative Cases Using Assumed Facts

Case 1

Facts

Male, Salary September 1, 1941, $5,000
Age 50. 30 years past service. No change in salary after plan goes into effect.

Annuity

Age 50. 22.778% x $5,000 is $1138.90

Supplementary Benefits

50 - 33 is 27 years at 1½% which is 40.5%
40.5% x $5,000 is $2,025

Total

Annuity	$1,138.90
Supplementary Benefits	2,025.00
Total Yearly Payment	$3,163.90

Case 2

Facts

Male. Salary September 1, 1941, $5,000
Age 50. 10 years past service. No change in salary after plan goes into effect.

Annuity

Age 50. 22.778% x $5,000 is $1138.90

Supplementary Benefits

10 years at 1½% is 15%
15% x $5000 is $750

Total

Annuity	$1138.90
Supplementary Benefits	750.00
Total Yearly Payment	$1888.90

Case 3

Facts

Male. Sal ry September 1, 1941, $3600.
Age 45. 15 years past service.
Salary increases as follows:

Age	Amount
48	$300
50	200
55	400

Annuity

Age 45	31.836%	x $3600	is	$1146.10
" 48	26.242%	x 300	is	78.73
" 50	22.778%	x 200	is	45.56
" 55	14.965%	x 400	is	59.86
		Total		$1330.25

Supplementary Benefits

45 - 33 is 12 years at $1\frac{1}{2}$% which is 18%
18% x $3600 is $648

Total

Annuity	$1330.25
Supplementary Benefits	648.00
Total Yearly Payment	$1978.25

Case 4

Facts

Male. Salary September 1, 1941 $3600
Age 45. 5 years past service
Salary increases as follows:

Age	Amount
48	$300
50	200
55	400

Annuity

Age 45	31.836%	x $3600	is	$1146.10
" 48	26.242%	x 300	is	78.73
" 50	22.778%	x 200	is	45.56
" 55	14.965%	x 400	is	59.86
		Total		$1330.25

Supplementary Benefits

5 years at $1\frac{1}{2}$% is $7\frac{1}{2}$%
$7\frac{1}{2}$% x $3600 is $270

Total

Annuity	$1330.25
Supplementary Benefits	270.00
Total Yearly Payment	$1600.25

Case 5

Facts

Male. Salary September 1, 1941, $1800
Age 25.
Salary increases as follows:

Age	Amount
28	$300
30	200
33	500
37	300
40	400
45	500
50	500

Annuity

Age 25	78.009%	x	$1800	is	$1404.16
" 28	69.589%	x	300	is	208.77
" 30	64.377%	x	200	is	128.75
" 33	57.114%	x	500	is	285.57
" 37	47.957%	x	300	is	143.87
" 40	41.460%	x	400	is	165.84
" 45	31.836%	x	500	is	159.18
" 50	22.778%	x	500	is	113.89
	Total				$2610.03

Total

Annuity	$2610.03
Supplementary Benefits	None
Total Yearly Payment	$2610.03

Case 6

Facts

Female. Clerical position, Salary September 1, 1941, $1200. Age 20.
Salary increases as follows:

Age	Amount
22	$200
24	200
26	200

Annuity

Age 20	79.752%	x	$1200	is	$957.02
" 22	74.138%	x	200	is	148.28
" 24	68.847%	x	200	is	137.69
" 26	63.860%	x	200	is	127.72
	Total				$1370.71

Total

Annuity	$1370.71
Supplementary Benefits	None
Total Yearly Payment	$1370.71

Case 7

Facts

Male. Salary September 1, 1941, $6,000.
Age 60. 30 years past service. No change in salary after plan goes into effect.

Annuity

Age 60. 8.338% x $6,000 is $500.28

Supplementary Benefits

60 - 33 is 27 years at $1\frac{1}{2}$% which is	40.5%
60 - 53 is 7 years at $1\frac{1}{2}$% which is	3.5%
Total	44.0%

44.0% x $6,000 is $2640

Total

Annuity	$ 500.28
Supplementary Benefits	2640.00
Total Yearly Payment	$3140.28

Proposed Retirement Plan

DEATH BENEFIT DATA
SERIES I CASE STUDIES
PERSONS DYING IN SERVICE

Case No.	Age at Death	Length of Service	Salary at Death	Annuity Fund Under Proposed Plan*	Death Benefits Under Proposed Plan	Total Under Proposed Plan	Death Benefits Under Present Plan	Excess Under Proposed Plan
1	31	2 yr.	$3500.00	$ 466.67	$3033.33	$3500.00	$ 350.00	$3,150.00
2	50	24 yr.3 mo.	4500.00	6,960.00	1000.00	7960.00	2375.00	5,585.00
3	50	15 yr.	5300.00	7,265.00	1000.00	8265.00	2650.00	5,615.00
4	48	22 yr.7 mo.	1740.00	2,540.13	1000.00	3540.13	870.00	2,670.13
5	64	30 yr.6 mo.	5500.00	14,080.00	1000.00	15,080.00	2750.00	12,330.00
6	45	9 yr.4 mo.	2438.00	2,744.26	1000.00	3744.26	1219.00	2,525.26
7	61	35 yr.	3600.00	9,274.00	1000.00	10,274.00	1800.00	8,474.00
8	50	10 yr.7 mo.	2350.00	2,359.00	1000.00	3359.00	1175.00	2,184.00
9	67	33 yr.3 mo.	8000.00	20,743.00	1000.00	21,743.00	3000.00	18,743.00
10.	57	31 yr.4 mo.	1395.96	3,975.65	1000.00	4975.65	698.00	4,277.65

*Does not include interest or dividends.

Proposed Retirement Plan

DEATH BENEFIT DATA
SERIES II CASE STUDIES (ADJUSTED)
PERSONS DYING AFTER RETIREMENT
GUARANTEED REFUND

Case No.	Age at Death	Total* Annuity Accumulation	Total Annuity Paid	Balance Unpaid	Death Benefit Under Proposed Plan	Total Amount Available At Death Under Proposed Plan	Death Benefit Paid Present Plan	Excess Under Proposed Plan	Excess Under Present Plan
1	76	$6,006.00	$4,476.29	$1,529.71	$1000.00	$2,529.71	$1,102.50	$1,427.21	
2	73	7,710.00	2,959.47	4,750.53	1000.00	5,750.53	1,000.00	4,750.53	
3	73	8,514.00	3,736.41	4,777.59	1000.00	5,777.59	1,200.00	4,577.59	
4	80	9,632.00	11,081.84	-----	1000.00	1,000.00	1,000.00	-----	
5	70	3,964.20	722.52	3,241.68	1000.00	4,241.68	420.50	3,821.18	
6	81	1,551.00	1,461.87	89.13	1000.00	1,089.13	430.00	659.13	
7	91	3,840.00	6,351.49	-----	1000.00	1,000.00	1,500.00		$500.00
8	71	4,035.69	1,142.70	2,892.99	1000.00	3,892.99	402.00	3,490.99	
9	71	10,233.00	2,833.22	7,399.78	1000.00	8,399.78	1,148.00	7,251.78	
10	69	15,647.40	763.86	14,883.54	1000.00	15,883.54	1,000.00	883.54	

*Does not include interest or dividends

Proposed Retirement Plan

Table Ib. Retirement Annuity (Women) Expressed as Percentage of Salary as of September 1, 1941

This table shows amounts of annuity payments if payments are made only to the member of the staff and cease at her death. The contracts will provide the option of annuity payments to a survivor after the death of a staff member in which case the payments to the staff member during her life will be less than those shown in this table. Annuities stated below assume no dividends and are therefore lower than those which probably will prevail.

1 Age September 1, 1941	2 Years to Age 68	3 Years at 10%	4 Total at 10% (%)	5 Years at 11%	6 Total at 11% (%)	7 Years at 12%	8 Total at 12% (%)	9 Grand Total (%)
20	48	15	73.636	10	3.861	23	2.255	79.752
21	47	14	70.787	10	3.861	23	2.255	76.903
22	46	13	68.022	10	3.861	23	2.255	74.138
23	45	12	65.338	10	3.861	23	2.255	71.454
24	44	11	62.731	10	3.861	23	2.255	68.847
25	43	10	60.201	10	3.861	23	2.255	66.317
26	42	9	57.744	10	3.861	23	2.255	63.860
27	41	8	55.359	10	3.861	23	2.255	61.475
28	40	7	53.043	10	3.861	23	2.255	59.159
29	39	6	50.795	10	3.861	23	2.255	56.911
30	38	5	48.612	10	3.861	23	2.255	54.728
31	37	4	46.493	10	3.861	23	2.255	52.609
32	36	3	44.435	10	3.861	23	2.255	50.551
33	35	2	42.438	10	3.861	23	2.255	48.554
34	34	1	40.498	10	3.861	23	2.255	46.614
35	33			10	42.477	23	2.255	44.732
36	32			9	40.466	23	2.255	42.721
37	31			8	38.513	23	2.255	40.768
38	30			7	36.618	23	2.255	38.873
39	29			6	34.778	23	2.255	37.033
40	28			5	32.991	23	2.255	35.246
41	27			4	31.257	23	2.255	33.512
42	26			3	29.572	23	2.255	31.827
43	25			2	27.938	23	2.255	30.193
44	24			1	26.351	23	2.255	28.606
45	23					23	27.065	27.065
46	22					22	25.432	25.432
47	21					21	23.848	23.848
48	20					20	22.308	22.308
49	19					19	20.815	20.815
50	18					18	19.364	19.364
51	17					17	17.957	17.957
52	16					16	16.590	16.590
53	15					15	15.262	15.262
54	14					14	13.974	13.974
55	13					13	12.722	12.722
56	12					12	11.508	11.508
57	11					11	10.349	10.349
58	10					10	9.229	9.229
59	9					9	8.142	8.142
60	8					8	7.087	7.087
61	7					7	6.064	6.064
62	6					6	5.069	5.069
63	5					5	4.112	4.112
64	4					4	3.175	3.175
65	3					3	2.266	2.266
66	2					2	1.382	1.382
67	1					1	.524	.524

July 8, 1940.

Instructions for Using Table Ib:

Find age September 1, 1941 in Column 1. On same line in Column 9 read percentage of September 1, 1941 salary to be paid as life annuity starting at age 68.
This table does not include future salary increases.
Such adjustments will increase the contributions but also will increase the annuity.